

## **Transparency of the promotion of environmental or social characteristics and of sustainable investments on websites**

In accordance with Article 10 of Regulation (EU) 2019/2088

### A. Summary

This statement is published by Lendable MSME Fintech Credit Fund (the “**Sub-Fund**”), a sub-fund of Lendable S.A., SICAV-RAIF, a company organised as a société anonyme, société d’investissement à capital variable – fonds d’investissement alternatif réservé (“**Lendable**” or the “**Fund**”), in accordance with Article 10 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “SFDR”). Its purpose is to provide transparency on the promotion of environmental or social characteristics and, as applicable to the Fund, of sustainable investments on websites.

### B. No significant harm to the sustainable investment objective

The Sub-Fund strives to ensure the effective management of potential sustainability risks associated with its investments to do no significant harm to any area of environmental or social concern. Toward that end, the Fund has implemented and maintains a specific investment process and investees selection criteria (as described below under sections “Investment strategy” and “Methodologies”) making a sustainability risk rating of each potential investment. Furthermore, each company financed by the Fund shall reach an acceptable ESG rating for each three factors (i.e. environment, social and corporate governance) using GIIN IRIS Metrics (as described below under section “Methodologies”).

### C. Sustainable investment objective of the financial product

The Sub-Fund’s sustainable investment and impact objective is to provide or invest in Assets to support the growth of fintech companies in Asia and Africa which have a positive impact in increasing financial inclusion for the underbanked populations in those countries who do not otherwise have access to adequate finance. Lendable's mission is to increase access to fair financial services in frontier and emerging markets.

In pursuing this sustainable investment objective, the Sub-Fund falls within the scope of article 9.2 of the SFDR.

**D. Investment strategy**

Considering the challenges described above in section “Sustainable investment objective of the financial product”, the Sub-Fund has defined its investment strategy.

In order to reach its sustainable investment objective, the Sub-Fund shall invest in eligible companies in Africa and Asia. Eligible companies must meet the “Borrower Criteria”, which reflect considerations of the Sub-Fund’s sustainable investment objective adherence.

**Borrower Criteria**[VF3]

<p>Type of Borrowers</p>	<p>Early stage fintech companies providing financial products or services with the following priority focus:</p> <ol style="list-style-type: none"> <li>1. MSME direct lenders: MSME financiers, productive asset financiers, and essential service financiers (solar and transportation).</li> <li>2. Digital payments companies, marketplace companies, and high impact Consumer Finance companies (as defined below).</li> </ol>
<p>Track Record</p>	<p>Borrowers must have a minimum one year of track record of providing or managing the provisions of the financial service or product; or a minimum of 2 years in operation, 6 months of track record and \$5m of annual revenues</p>
<p>Asset Base</p>	<p>Borrowers must have a minimum asset base of \$2 million that can be lent against</p>

Profitability	Borrowers must operate a unit profitable business at gross margin (or net interest margin) level with a margin large enough to support the cost of debt being considered and expected losses on the portfolio
Audited Financials	Borrowers must provide audited financial statements within six months of the first disbursement
KYC	Borrower and its key Principals must pass KYC checks including a Thomson Reuters WoldCheck search
Portfolio Data	Borrower must use a loan management or core banking system to manage their loans and/or cashflows and be willing to share anonymised, payment level information
Consumer Finance	<p><b>Eligible Consumer Finance Companies</b></p> <ul style="list-style-type: none"> <li>● <b>EXCLUDED</b> - Companies that primarily (&gt; 30% of revenue) do consumer unsecured nano-lending, defined as providing loans to consumers with an average loan size of less than \$100 and/or average loan length of less than 90 days are specifically <b>excluded</b> by Fund mandate.</li> <li>● <b>INCLUDED WITH ASSESSMENT</b> - Companies that primarily (&gt; 30% of revenue) provide secured consumer finance automatically fall into the Consumer Finance definition and are eligible only if they are assessed by a third party against the SMART campaign principles (or equivalent) within 6 months of first disbursement.</li> <li>● <b>INCLUDED WITH SELF ASSESSMENT</b> - Companies that finance the following segments are eligible only if the company carries out a self-assessment against the</li> </ul>

	<p>SMART campaign principles which is overseen by Lendable within 6 months of first disbursement:</p> <ul style="list-style-type: none"><li>○ Education finance focused on individuals in low-income segments</li><li>○ Healthcare finance focused on low-income segments</li><li>○ Housing finance focused on low-income segments</li><li>○ Non-productive asset finance, subject to demonstration of partial revenue-generating capacity (i.e. electronics)</li></ul>
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<p>Excluded Sectors</p>	<p>Companies that operate in the following sectors are specifically excluded:</p> <ul style="list-style-type: none"> <li>● Production or activities involving harmful or exploitative forms of forced labor<sup>[1]</sup> / child labor<sup>[2]</sup>.</li> <li>● Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as: <ul style="list-style-type: none"> <li>○ Ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals;</li> <li>○ wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or</li> <li>○ Unsustainable fishing methods (e.g. blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length).</li> </ul> </li> <li>● Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.</li> <li>● Destruction<sup>[3]</sup> of High Conservation Value areas<sup>[4]</sup></li> <li>● Production or trade in radioactive materials.<sup>[5]</sup></li> <li>● Production or trade in unbonded asbestos fibers.<sup>[6]</sup></li> <li>● Pornography and/or prostitution.</li> <li>● Racist and/or anti-democratic media.</li> <li>● Production or trade in alcoholic beverages (excluding beer and wine)<sup>[7]</sup></li> <li>● Production or trade in tobacco.<sup>[8]</sup></li> <li>● Production or trade in weapons and munitions.</li> <li>● Gambling, casinos and equivalent enterprises.<sup>[9]</sup></li> </ul>
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	<ul style="list-style-type: none"> <li>● Commercial logging operations for use in primary tropical moist forest.</li> <li>● Production or trade in wood or other forestry products other than from sustainably managed forests.</li> </ul>
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E. Proportion of investments

F. Monitoring of sustainable investment objective

The Environmental and Social Management System (“**E&S MS**”) is a framework that integrates environmental, social, and governance risk management into the investment and monitoring process for the Sub-Fund, overseen by Lendable. It is a set of actions and procedures that are implemented concurrently with Lendable's existing investment and risk management procedures.

This E&S MS supports Lendable in its objectives to:

- (1) Provide debt to socially and environmentally responsible fintech companies, or fintech companies that are committed to becoming so.
- (2) Help Borrowers implement appropriate E&S measures to avoid risks that could lead to future reputational issues or liability or insurance claims.
- (3) Add business value, such as improving operational efficiency, data privacy, and security practices, and customer transparency, to Borrowers.
- (4) Enable Borrowers to develop into strong E&S performers and enhance their competitive advantage.

As part of Lendable's steps to ensure E&S compliance, the E&S MS includes a sector exclusion list that ensures Fund investments comply with Fund investors' exclusion lists.

Lendable ensures that all Fund Borrowers are in compliance with the E&S standards listed below, at minimum. All loan agreements between the Fintech Credit Fund and

Borrowers contain legal covenants requiring compliance with the following E&S standards:

- Comply with the exclusion list
- Comply with all applicable local environmental, health & safety, and labour laws and regulations.
- Comply with IFC PS 2 & ILO Core Conventions
- Comply with all applicable local, provincial, and national laws on data privacy and
- Report annually on E&S matters to the Fund managers.
- Report serious E&S incidents immediately, with plans for corrective actions and follow-up.
- Assign someone in the firm to be responsible for E&S compliance and reporting, where required as per the policy.

#### G. Methodologies

The Fund will track and report on the impact created by the Fund using GIIN IRIS Metrics.

The Fund will track impact metrics across five areas:

- *Capital Markets Impact:* measure total and new capital brought to the asset class
- *Portfolio Company Impact:* measure borrowers, various metrics for financing to borrowers, cost of capital and jobs created/retained
- *End-Customer Impact:* measure number of end-borrowers, various metrics for financing to small businesses, various metrics for financing of energy products
- *Other Social and Environmental Impact:* measure greenhouse gas emissions reduced due to energy products financed
- *Demographic Data:* demographic data for Lendable, borrower companies, and end customers

The Fund will report on impact via an impact report on an annual basis in June for companies financed in the previous fiscal year.

## H. Data sources and processing

All data sources used to measure the achievement of the sustainable investment objective of the Fund are internally sourced, relying on direct due diligence on and engagement with the investee companies. An annual Impact metrics questionnaire is also completed by each borrower.

### I. Limitations to methodologies and data

### J. Due diligence

### K. Engagement policies

## L. Attainment of the sustainable investment objective

No index has been designated as a reference benchmark for the purpose of attaining the sustainable investment objective of the fund.

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<sup>[1]</sup> Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

<sup>[2]</sup> Persons may only be employed if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

<sup>[3]</sup> Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.

<sup>[4]</sup> High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (See <http://www.hcvnetwork.org>).

<sup>[5]</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment or any other equipment where the radioactive source is understood to be trivial and/or adequately shielded.

<sup>[6]</sup> This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

<sup>[7]</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations. For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.

<sup>[8]</sup> This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations. For companies, "substantial" means more than 10 % of

their consolidated balance sheets or earnings. For financial institutions and investment funds, “substantial” means more than 10% of their underlying portfolio volumes.

<sup>[9]</sup> This does not apply to project sponsors who are not substantially involved in these activities. “Not substantially involved” means that the activity concerned is ancillary to a project sponsor’s primary operations. For companies, “substantial” means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, “substantial” means more than 10% of their underlying portfolio volumes.

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